

**HOUSE . . . . . No. 5**

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So much of the recommendations of the State Auditor (House, No. 3) as relates to improving the internal controls within state agencies. State Administration and Regulatory Oversight.

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**The Commonwealth of Massachusetts**

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**In the One Hundred and Ninety-First General Court  
(2019-2020)**  
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An Act improving the internal controls within state agencies.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1           SECTION 1. Section 9A of chapter 7A of the General Laws, as appearing in the 2016  
2 Official Edition, is hereby amended by deleting lines 9 through 14, the second paragraph.

3           SECTION 2. Chapter 7A of the General Laws, as appearing in the 2016 Official Edition,  
4 is hereby amended by inserting, after section 19, the following new section:-

5           Section 20. Notwithstanding any general or special law to the contrary, the comptroller,  
6 in consultation with the state auditor, shall publish regulations to establish reporting  
7 requirements as well as internal control standards which shall define the minimum level of  
8 quality acceptable for internal control systems in operation throughout the various state agencies  
9 and departments and shall constitute the criteria against which such internal control systems will  
10 be evaluated. Internal control systems, the components of which should include an internal  
11 control plan, a risk assessment, policies, procedures and training requirements, for the various  
12 state agencies and departments of the Commonwealth shall be developed, documented and

13 readily accessible in accordance with internal control guidelines established by the office of the  
14 comptroller.

15           Within each agency there shall be an official, equivalent in title or rank to an assistant or  
16 deputy to the department head, whose responsibility, in addition to his regularly assigned duties,  
17 shall be to ensure that the agency has written documentation of its internal control system on file.  
18 Said official shall, annually, or more often as conditions warrant, evaluate the effectiveness of  
19 the agency's internal control system and establish and implement changes necessary to ensure  
20 that: (1) the documentation of all internal control systems is readily available for examination by  
21 the comptroller, the secretary of administration and finance and the state auditor, (2) the results  
22 of audits and recommendations to improve departmental internal controls are promptly evaluated  
23 by the agency management, (3) timely and appropriate corrective actions are effected by the  
24 agency management in response to an audit and (4), all actions determined by the agency  
25 management as necessary to correct or otherwise resolve matters will be addressed by the agency  
26 in their budgetary request to the general court.

27           The comptroller shall prepare and update from time to time a training program, which the  
28 office shall publish on its official website, a program which shall provide a general introduction  
29 and training on the requirements of this section.

30           SECTION 3. Chapter 11 of the General Laws, as appearing in the 2016 Official Edition,  
31 is hereby amended by inserting, after section 12, the following two new sections:-

32           Section 12A. In coordination with the comptroller of the commonwealth and regulations  
33 established pursuant to section 20 of chapter 7A, all unaccounted for variances, losses, shortages,  
34 intentional violation of general laws governing commonwealth financial system operations and

35 controls, or thefts of funds or property shall be immediately reported to the state auditor's office,  
36 who shall review the matter. Said auditor shall consider the materiality, risk, and nature of the  
37 matter reported, as well as the nature and extent of past reports involving the entity, to determine  
38 the level of review. Should a formal review be initiated, said auditor shall report to appropriate  
39 management and law enforcement officials a determination of the amount involved and the  
40 internal control weakness that contributed to or caused the condition. Said auditor shall then  
41 make recommendations to the agency official overseeing the internal control system and other  
42 appropriate management officials. The recommendations of said auditor shall address the  
43 correction of the conditions found and the necessary internal control policies and procedures that  
44 must be modified. The agency oversight official and the appropriate management officials shall  
45 immediately implement policies and procedures necessary to prevent a recurrence of the  
46 problems identified.

47           Section 12B. A commonwealth authority defined in section 1 of Chapter 29 performing a  
48 public function that does not receive direct appropriations from the commonwealth, not  
49 otherwise subject to the jurisdiction of the comptroller, but subject to audit under section 12 of  
50 chapter 11, is required to comply with all the requirements of section 20 of chapter 7A.

51           SECTION 4. Section 50 of chapter 12 of the General Laws, as appearing in the 2016  
52 official Edition, is hereby amended by deleting, in line 3, the words “chapter 647 of the acts of  
53 1989” and inserting in place thereof the following words:- section 20 of chapter 7A and section  
54 12A of chapter 11